UNITED NATIONS

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General Assembly

Distr.
GENERAL

A/47/535
15 October 1992

ORIGINAL: ENGLISH

Forty-seventh session
Agenda item 85

INDUSTRIAL DEVELOPMENT COOPERATION AND THE DIVERSIFICATION AND MODERNIZATION OF PRODUCTIVE ACTIVITIES OF DEVELOPING COUNTRIES

Note by the Secretary-General

I. INTRODUCTION

1. In paragraph 9 of its resolution 45/196 of 20 December 1990 on industrial development cooperation and the diversification and modernization of productive activities in developing countries, the General Assembly requested the Secretary-General to report to it, at its forty-sixth session, on ways and means of promoting the enhancement of United Nations activities with regard to the training of scientists, engineers and entrepreneurs from developing countries, with a view to promoting all related sectors and disciplines supporting industrial development cooperation and the diversification and modernization of productive activities in developing countries. Furthermore, the Assembly recommended in paragraph 11 of the resolution that the United Nations Industrial Development Organization (UNIDO), in close cooperation with the appropriate organs, organizations and bodies of the United Nations system, including the regional commissions, make recommendations to the General Assembly at its forty-sixth session, through the Economic and Social Council, with a view to strengthening effectively industrial development cooperation and the diversification and modernization of productive activities in developing countries.

2. In paragraph 10 of the same resolution, the General Assembly recommended that the Administrative Committee on Coordination (ACC) examine ways and means of fostering United Nations system activities with regard to industrial development cooperation and the diversification and modernization of productive activities in developing countries and report thereon, through the Secretary-General, to the Assembly at its forty-sixth session.

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II. RESPONSE OF THE UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

3. In response to the request in resolution 43/196 a draft report on industrial development cooperation and the diversification and modernization of productive activities in developing countries was prepared, based largely on the UNIDO medium-term plan 1990-1995 (GC.3/17) and on other resolutions and decisions of UNIDO policy-making organs, while certain elements were the subject of special proposals in order to satisfy specific issues raised in that resolution, i.e. a study on the structure of world industrialization from the long-term perspective, and another for a plan of action to enhance the activities of the United Nations system relating to the training of scientists, engineers and entrepreneurs from developing countries.

4. The contents of the draft report were transmitted to ACC at its first regular session of 1991, but due to the rather limited time available for the preparation of the document and, thus its late submission, before finalizing the document, UNIDO invited the concerned organizations to submit their comments and suggestions in writing to the UNIDO secretariat by 31 May 1991.

5. The International Labour Organisation (ILO), the World Health Organization (WHO) and the International Fund for Agricultural Development (IFAD) reacted and in light of these comments the UNIDO Secretariat revised the original draft and submitted it to the UNIDO Board at its eighth session as IDB.8/32. The Board did not have the time to discuss the report in depth but authorized the UNIDO secretariat to transmit to the United Nations Secretariat for submission to the General Assembly, through the Economic and Social Council, document IDB.8/32 together with the views expressed by Member States on the subject during that session of the Board, in compliance with resolution 45/196.

6. That report was issued as document A/46/455-E/1991/141. The General Assembly, in its resolution 46/146 of 17 December 1991, on industrial development cooperation, inter alia noted with appreciation the recommendations contained in the report of the Secretary-General. The Assembly also noted with interest the UNIDO proposal for a study on the structure of world industrialization and recommended that the UNIDO Board consider the proposal at its ninth session and submit a report to the Assembly at its forty-seventh session. One particular problem is the financing of the proposed study. The Assembly also reiterated its request to the Secretary-General and ACC to submit the reports referred to in paragraphs 9 and 10 of resolution 45/196 in time for consideration by the Assembly at its forty-seventh session.

7. As requested in resolution 46/146, the Industrial Development Board at its ninth session considered a report (IDB.9/5) on the proposed study on the structure of world industrialization from a long-term perspective (in IDB.9/5), as a contribution to the overall assessment of and needs for industrial development in developing countries. The Board took no decision on the matter, and the subject was not included on the provisional agenda of its next session, to be held in November 1992.

8. In response to the request in paragraph 9 of its resolution 45/196, a study was planned by UNIDO, to be undertaken jointly with the United Nations Secretariat, on scientists, engineers and entrepreneurs. The study was expected to culminate in an action plan on ways and means of promoting the enhancement of United Nations activities with regard to the training of scientists, engineers and entrepreneurs from developing countries. UNIDO was expected to collaborate with the United Nations Development Programme, the International Labour Organisation (ILO), the United Nations Educational, Scientific and Cultural Organization (UNESCO), the United Nations Conference on Trade and Development, and the World Bank in carrying out the study. However, as a result of the severe financial constraints currently prevailing, the preparation of the report in question has had to be postponed. The Secretary-General has proposed that the report be submitted to the General Assembly at its forty-ninth session, at which time the Assembly will next consider the agenda item entitled "Industrial development cooperation and diversification and modernization of productive activities in developing countries".

9. In response to paragraph 10 of resolution 45/196, reiterated in paragraph 3 of resolution 46/146, UNIDO prepared a progress report on industrial development cooperation and the diversification and modernization of productive activities in developing countries, containing, inter alia, ways and means of fostering United Nations system activities in that regard. This progress report was submitted to the Organization Committee of ACC in March 1992, in the form of a conference room paper. The Organizational Committee examined and took note of this progress report.

III. MEASURES TO ENHANCE INDUSTRIAL DEVELOPMENT COOPERATION AND THE DIVERSIFICATION AND MODERNIZATION OF PRODUCTIVE ACTIVITIES IN DEVELOPING COUNTRIES

10. UNIDO's response to the substantive issues raised in Assembly resolution 45/196 was to recommend that industrial cooperation activities should be strengthened within the following integrated framework, as shown in the earlier report (A/46/455-E/1991/141): (a) the human factor; (b) modernization: the challenge of technology; and (c) diversification: industrial recovery.

A. The human factor

11. The primary objective of UNIDO with regard to the development of human resources is to build up in developing countries coherent and sustainable systems for upgrading local technological, managerial, and entrepreneurial capabilities, and to utilize them for industrial development. This broad objective is addressed through programmes where UNIDO can act as a catalyst and stimulator of action and change. Target groups include (a) policy makers at the national and regional level; (b) industrial and professional associations; (c) private-sector enterprises; (d) technical and financial

institutions; (e) international technical cooperation agencies and institutions; and (f) women.

12. Especially in relatively advanced and specialized technological fields, emphasis is placed on complementarity, diversification and interlinkage of training programmes and facilities among neighbouring developing countries that offer opportunities for industrial cooperation. Cooperation with other organizations of the United Nations system, especially with the regional commissions, ILO, the Food and Agriculture Organization of the United Nations (FAO), UNESCO and the World Bank, is as important as drawing on the experience of non-governmental organizations, industrial enterprises and other institutions involved in human resource development for industry.

13. UNIDO's human resource programmes up to 31 August 1992 have given particular priority to activities relevant to transfer of new and high technologies, the enhancement of ECDC/TCDC in human resource development activities, the integration of women in human resource development activities, and managerial training, as described in the progress report for 1992 on specific UNIDO activities (IDB.10/18, chap. II).

B. Modernization: the challenge of technology

14. The development of indigenous technological capabilities is a decisive factor in industrial survival and poses a challenge to developing countries, compelling them to adopt strategies for research development, and create and support the necessary infrastructure. Many developing countries still lack the critical elements of a technological system essential to industrial development such as (a) technology policy and its integration with industrial development policies and plans; (b) access to and acquisition of technology, including the negotiation and monitoring of technology transfer contracts; (c) development, adaptation and diffusion of technology; (d) strengthening of domestic technological infrastructure and its links to industrial operations; and (e) development of technological information systems and related extension services, including capabilities for monitoring new and old technologies.

15. The primary objectives of the UNIDO development and transfer of technology programme are (a) to increase the awareness of the developing countries in the implications of emerging technological changes; (b) to facilitate their access to technology sources; (c) to assist them in strengthening their domestic technological capabilities so as to translate new opportunities into action programmes; (d) to promote broader participation of the developing countries in international technological development; and (e) to improve regional cooperation, especially through the establishment and improvement in the developing countries of centres of excellence and similar scientific and technological development institutions.

16. In response to these considerations, the Director-General submitted a report (GC.4/11) on the implementation of the programme for development and transfer of technology, to the fourth session of UNIDO's General Conference.

That report covered activities with respect to technology monitoring; micro-electronics and informatics; genetic engineering and biotechnology; new materials; new energy technologies; marine industrial technology; advances in manufacturing technology; international centre for science and high technology; technology policy, acquisition and negotiation; basic technologies; special technologies; industrial and technological information; techno-economic intelligence; and clean technologies. Moreover, chapter II of that report also described the development and transfer of technology through technical cooperation projects, in particular (a) instruments for the development and transfer of technology; (b) the different approaches to the development and transfer of technology; and (c) technologies adapted and promoted by UNIDO. The General Conference also examined long-term arrangements for the establishment of an international centre for science and high technology, as described in GC.4/39, and adopted GC.4/Res.14 on that issue. Further information is provided in detail in the Annual Report of UNIDO 1991 (IDB.9/10, pp. 62-67).

C. Diversification: industrial recovery

17. In order to revitalize industry in developing countries, UNIDO aims to find new ways of increasing the international flow of finance to productive industrial investment by supporting investment policy formulation including investment codes attractive to foreign capital; by working more closely with financial institutions in developing countries; by identifying, appraising and promoting industrial investment opportunities; and by promoting enterprise-to-enterprise cooperation through direct foreign investment and technical cooperation agreements. Three interrelated activities are particularly important: (a) timely assistance in identifying investment opportunities and preparing pre-investment and feasibility studies; (b) the identification of domestic sponsors and potential partners providing finance, technology and/or management for investment projects; and (c) strengthening local investment promotion institutions.

18. The need for industrial rehabilitation - a dominant feature of industrial structure adjustment - arises from problems at the level of firms, either caused internally or by changes in the economic environment. Internal problems may stem from the erroneous planning of projects, mismanagement, obsolete technologies, and other inadequacies in industrial and technological systems. External problems include the impact of macroeconomic changes resulting from external shocks, policy failures, inadequate infrastructure, austerity measures, foreign exchange crises, and growing adjustment pressures. As a remedy, it is essential to examine new opportunities for environment created by fiscal, financial and institutional reforms. Also important is the strengthening of basic industrial information systems and the support to technical infrastructures related to such activities as research and development, repair and maintenance, quality assurance, management consultancy, market surveys and investment opportunity studies required as a result of the changed macroeconomic environment.

19. UNIDO's General Conference, in considering reports on a Regional Cooperation Programme for the Industrial Recovery of Latin America and the Caribbean (GC.4/12/Rev.1), the Special Programme for Industrial Development in the Arab Countries (GC.4/27), the Special Programme for the Industrial Development of Asia and the Pacific (GC.4/13) and the Second Industrial Development Decade for Africa Programme (GC.4/10 and Add.1) adopted resolutions GC.4/Res.6, GC.4/Res.5, GC.4/Dec.12 and GC.4/Res.8, respectively on these programmes. A description of the implementation of these programmes and progress achieved is provided in the Annual Report of UNIDO, 1991, table 2 (significant performance indicators: Area Programmes), and pages 18 to 22. Furthermore IDB.10/18 updates as of 31 August 1992 progress made on the implementation of the regional cooperation programme for the industrial recovery of Latin America and the Caribbean.